

<b>Meeting:</b>	SLT	<b>Date:</b>	27/11/17
<b>Agenda Item:</b>	4	<b>Time:</b>	15 minutes
<b>Proactive Publication:</b>	Yes	<b>Internal Publication:</b>	Yes
<b>Communications options:</b> Key messages / SLT extra / Blog / external communications			
<b>Presenter:</b>	Paul Arnold	<hr/>	

**Topic:** October finance report

**Issue:** The October finance report is presented for information and discussion.

# **Finance Report, Financial Year 2017/18**

## **October 2017**

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### **Executive Summary**

The remainder of the financial year will require close financial management to make sure significant areas of work can be delivered. It should be noted that there are some key areas of uncertainty on budget cover, income and costs.

On budget cover, we are awaiting a decision from DCMS for approval of an additional £400k of budget (£300k revenue, £100k capital) to cover Kings Court costs (£150k) and additional grant claims. This decision was due in October and has yet to be agreed. We are also awaiting approval of the ICO's budget for NIS, which would include £100k budget cover for set up costs in this financial year such as accommodation, staff and travel. In both these areas we are reliant on DCMS decisions. It is important to note that we will fund these additional items out of our cash reserves rather than this year's income or advances from DCMS.

On income, DCMS are considering up to £150k additional funding (and associated budget cover) for communications and guidance production. A decision is expected by the end of November. In addition, we are closely tracking fee income and registrations to ensure there is no drop off and that we are tracking our revised fee income. Year to date, fee income is now tracking at more than 7% above last year, compared to the 6% estimated in the latest budget.

On costs, the key area of uncertainty is on the outstanding change programme budget which now stands at £505k. This budget is being split between recruitment to vacancies (£305), outsourcing guidance production (£150k) and commercial legal support (£50k). We will be monitoring spend against this budget closely, in particular in relation to how successful we are in external recruitment campaigns. We will also need to budget for any additional costs in relation to secondments.

### **Future funding**

Work is ongoing on developing the new funding model for data protection fees, alongside the business case for increased payroll costs in 2018/9 in response to recruitment and retention issues. The Statutory Instrument required to introduce the new funding model is expected to be laid before Parliament in January, with implementation of the model planned for May 2018. Discussions are ongoing with DCMS to make there is sufficient time for implementation and communication of the new regime and that a robust penalty scheme is in place for non-payment.

## **Other issues**

A review of our FOI apportionment model has been undertaken in line with changes to departments and the proportion of GDPR work being undertaken. This will be reviewed by NAO as part of their audit work.

We are in the final stages of negotiating our funding bid with Cabinet Office to undertake new work relating to the Directive on Security of Network and Information Systems (**NIS Directive**). Work on this area is expected to begin in before the new calendar year and to be formally funded from financial year 2018/19 onwards.

**Spend under/ (over) variance tolerance of 10%:** *Overall, no material variance found or expected.*

<b>Budget</b>	<b>% Variance</b>	<b>Comments</b>
Training & Recruitment	10.2%	As previously reported, this underspend is due to less recruitment costs than expected at this point of the year, savings have been made on group recruitment campaigns. Expected to be utilised later in the year. Reduced from >11% in prior month
Communications	11.6%	The bulk of this underspend has come from one off ad hoc costs that we have not incurred yet such as surveys, ICON development and staff events. This expenditure is expected later in the year.
Financial costs	35.3%	Internal audit work has started later than planned, which has pushed billable milestones back, hence the underspend. Full costs expected later in the year. Reduced from >40% from prior month
Travel	-11.9%	Travel costs are over budget due to additional costs than originally planned at this point of the year including a delegation to Hong Kong and Paris – this is expected to come in within budget.
Legal & Professional	34.4%	Legal costs are expected to fluctuate to budget because of the ad hoc nature of cases. A significant budget has also been allocated to outsource specific commercial work, none of which has been billed as yet. Expected to spend to budget.

## **Financial Overview as at 31 October**

### **Cash Flow**

The cash flow remains consistently robust with reserves available in the event of a reduced income or additional work required over forecasted income.

## DP Income

<b>Month</b>	<b>Budget*</b>	<b>Actual</b>	<b>Variance</b>	<b>%</b>
<b>April</b>	1,558	1,458	(99)	(6%)
<b>May</b>	1,560	1,731	171	11%
<b>June</b>	1,655	1,698	43	3%
<b>July</b>	1,730	1,644	(86)	(5%)
<b>August</b>	1,518	1,645	127	8%
<b>September</b>	1,968	1,829	(139)	(7%)
<b>October</b>	1,863	1,973	110	6%
<b>Subtotal</b>	<b>11,852</b>	<b>11,979</b>	<b>127</b>	<b>1%</b>
<b>November</b>	1,763			
<b>December</b>	1,253			
<b>January</b>	2,080			
<b>February</b>	1,857			
<b>March</b>	1,969			
<b>£ Year</b>	<b>*20,755</b>			

\*Budget reflects an uplift of 6% from the previous year.

The number of registrations has steadily increased from April 2017, showing an increase of 19,231 or 4.1% by the end of October. If this level of growth continues, we would expect fees to be up to 7% ahead of the previous year against a budget of +6%. No drop off has yet been recorded in the run up to GDPR going live.

# Month End Financial Summary

## MANAGEMENT REPORT

For the Seven Months Ending 31 October 2017

	Year To Date			Full Year		Prior Year
	Budget £	Actual £	Var £	Var %	Forecast £	2016/17 £
GRANT IN AID	2,187,500	2,187,500	0	-	3,795,000	3,790,000
DP FEE INCOME	11,831,866	11,978,920	-147,054	-1.2%	20,754,800	19,729,439
DRIPA INCOME	165,000	165,000	0	-	330,000	330,000
BANK INTEREST	0	-75	75	-	0	75
<b>TOTAL INCOME</b>	<b>14,184,366</b>	<b>14,331,345</b>	<b>146,979</b>	<b>-1.0%</b>	<b>24,879,800</b>	<b>23,849,514</b>
OFFICE COSTS	786,456	753,115	33,341	4.2%	1,407,216	1,523,289
STAFF COSTS	10,232,340	10,206,735	25,605	0.3%	18,000,014	16,029,657
TRAINING AND RECRUITMENT	336,128	301,747	34,381	10.2%	607,600	579,010
IT COSTS	1,588,067	1,616,760	-28,693	-1.8%	2,713,825	2,505,735
PROJECT SPEND	673,560	614,517	59,043	8.8%	534,675	688,500
COMMUNICATIONS	247,545	218,903	28,642	11.6%	388,400	507,460
FINANCIAL COSTS	39,250	25,405	13,845	35.3%	107,500	153,134
TRAVEL	297,173	332,685	-35,512	-11.9%	540,700	526,336
LEGAL, PROFESSIONAL & OTHER	532,632	349,607	183,025	34.4%	1,329,870	595,466
<b>TOTAL COSTS</b>	<b>14,733,151</b>	<b>14,419,474</b>	<b>313,677</b>	<b>2.1%</b>	<b>25,629,800</b>	<b>23,108,587</b>
<b>CAPITAL SPEND</b>	<b>0</b>	<b>266,012</b>	<b>266,012</b>	<b>-</b>	<b>650,000</b>	<b>616,614</b>
<b>OPERATING SURPLUS</b>	<b>-548,785</b>	<b>-88,129</b>	<b>460,656</b>	<b>83.9%</b>	<b>-750,000</b>	<b>740,927</b>
<b>GIA PROGRAMME 1819 ADVANCE</b>	<b>700,000</b>	<b>700,000</b>	<b>0</b>	<b>-</b>	<b>1,400,000</b>	<b>0</b>
<b>SURPLUS</b>	<b>151,215</b>	<b>611,871</b>	<b>460,656</b>	<b>-304.6%</b>	<b>650,000</b>	<b>740,927</b>

\*Project spend includes some capital spend which is reviewed quarterly alongside the revenue budget. Capital spend is estimated at 266k to date.

Based on the above summary, we are currently in line with expected forecasts by 1% on income and 2% on expenditure.

## Civil Monetary Penalties (CMPs)

Below is the summary of those debts we still consider recoverable from the previous year plus new penalties issued to October 2017.

Gross debts B/fwd from 2016-17	594,600
Issued penalties gross	2,977,829
Issued prompt payment discount	(319,100)
Irrecoverable debts written off	-
<b>Net</b>	<b>3,253,329</b>
Receipts*	1,356,774
<b>Balance</b>	<b>1,896,555</b>

\*Of this sum, £10,152 is due to be paid to the consolidated fund in January 2018.

## Spending controls

The ICO is complying with the Cabinet Office Spending Controls Guidance v 4.0

<https://www.gov.uk/government/publications/cabinet-office-controls/cabinet-office-controls-guidance-version-40>

**Heather Dove  
November 2017**